

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Docket No. 2020-106-A

In Re:)	
)	
)	
Actions in Response to COVID-19)	Comments of
)	Blue Granite Water Company
)	
_____)	

Pursuant to Order No. 2020-372 issued by the South Carolina Public Service Commission (the “Commission”) on May 14, 2020, Blue Granite Water Company (“Blue Granite” or the “Company”) provides the following comments related to the COVID-19 pandemic and related matters pertaining to utility operations. The Company also takes this opportunity to notify the Commission of its intent to participate in the virtual forum to be held on May 27, 2020.

I. Online Payments and Credit Card Processing Fees

1. The Company currently utilizes a third-party vendor to facilitate and process credit card and debit card/e-check transactions. Under the agreement with the vendor, the vendor receives payment directly from customers (either online or via the Company’s MyUtilityConnect mobile app), along with the applicable convenience fee, and then remits the utility bill payment amount to the Company.

2. The Company has investigated the possibility of transitioning to a process under which Blue Granite would pay the applicable convenience fees on behalf of its customers. The Company is willing to implement the system changes described below to facilitate the waiver of these fees to customers as they make payments. The Company would propose a filing with the

Commission to establish a regulatory asset to capture the implementation costs and foregone credit card processing fees. Such a policy and cost recovery is utilized by other South Carolina regulated utilities.

3. The Company has determined, however, that it is currently unable to modify the associated payment processes in the near-term. The proposed change in payment processing would necessitate considerable modifications to the programming of the Company's customer account and payment systems, including the MyUtilityConnect app. These modifications would include the function of importing and exporting files between systems and the customer payment portal interface. The Company estimates that these changes would cost approximately \$20,000 and require approximately eight (8) weeks to complete. The same level of costs would be incurred even if such a change were temporary, and the same costs would be incurred again if the Company later reverted back to the processes currently used. Additionally, changing the process by which these convenience fees are paid would require an amendment of the agreement between the Company and its third-party vendor, and it is unclear whether the vendor would agree to such an amendment.

4. The Company does offer auto-draft and check payment as no-fee bill payment options. Customers contacting the Company are presented with all payment options when seeking to make a payment. In response to the request for comment filed by the S.C. Office of Regulatory Staff ("ORS"), the Company does not believe there are required tariff changes related to this issue as applicable to Blue Granite.

II. Late Payment Fees

5. As of March 10, 2020, the Company suspended its collection processes, including the assessment of late charges; suspended disconnections and the issuance of disconnect notices;

and reconnected customers whose service was terminated for non-payment between March 1, 2020 and March 10, 2020. As related to these measures, as of May 19, 2020, the Company has foregone approximately \$28,066 in late fees that would have been assessed on past due balances.

6. The Company anticipates that the rescission of the waivers granted in Commission Order No. 2020-228 will take time to implement, as notification of customers of the Company's resumption of collection actions and internal considerations of its impacts to operations and customer service are managed. Additionally, a swift resumption of disconnections would tax the Company's field operations staff due to a potential influx of disconnect service orders. As such, the Company anticipates additional lost miscellaneous revenues due to temporary continued suspension of late fees and disconnections as time is allowed to adequately communicate the Company's plan to customers, and as customers are afforded an opportunity to contact the Company to establish payment plans or other arrangements. As related to ORS's request for comment, the Company does not believe there are required tariff changes related to this issue as applicable to Blue Granite.

III. Returned Check Charges

7. The Company has thus far not suspended the imposition of return check ("non-sufficient fund" or "NSF") fees. The Company does not believe such a waiver would be in the best interests of customers or the Company. Waiving such fees can incentivize improper payment practices and is likely to increase instances of NSF payments, which will increase the Company's administrative burden and cost—including processing the NSF as well as follow up communication to customers—without resolving outstanding customer account balances in an effective manner. The Company believes such a waiver is therefore not appropriate or warranted in response to the current COVID-19 event. As related to ORS's request for comment, the

Company does not believe there are required tariff changes related to this issue as applicable to Blue Granite.

IV. Credit Reporting

8. The Company does not currently report customer delinquencies to credit reporting agencies, nor does the Company utilize credit agency information as related to customer account deposits.

V. Communication Regarding Safety Net Provisions

9. Consistent with Order No. 2020-374, the Company has a practice of referring customers who are unable to make payments to non-profits within the State, such as the Salvation Army or United Way, and Blue Granite is also investigating the availability of local community action agencies for customer assistance with water and sewer bills. Further, in addition to applying the appropriate Commission Regulations related to termination of service, Blue Granite also intends to offer to its customers payment arrangements of up to twelve (12) months, as discussed in more detail below. As related to ORS's request for comment, the Company does not have a tariff conducive to alternative or flexible rate options.

VI. Planning Return to Normal Operations

10. Although the various waivers related to COVID-19 have been rescinded, the processes and procedures Blue Granite utilized to provide water and wastewater service before the COVID-19 pandemic may never be quite the same. That said, the Company is currently preparing plans to resume normal operations.

11. As noted in the Company's filing in this docket on March 25, 2020, the Company has prepared an Essential Operations Continuity Plan, which ensures sufficient operating materials and supplies are on-hand or readily accessible (such as chemicals and Personal Protection

Equipment or “PPE”). The Essential Operations Continuity Plan allows the mobilization of identified certified operators to augment the Company’s workforce. The Company has also implemented Social Distance Scheduling and a new mobile application that tracks employees working remotely. The Company plans to maintain “work from home” protocols for office employees for the foreseeable future while it identifies the needs of its office environments to enact appropriate recommendations from the U.S. Centers for Disease Control.

12. While the Company has experienced a decrease in overall Customer Service Center (“CSC”) call volume and activity since the pandemic began, this is largely due to the suspension of disconnections and overall collections processes. As the Company resumes its standard collections processes, and customers begin to establish payment plans and other arrangements, call volume will significantly increase. The Company plans to utilize temporary employees as needed to supplement its existing CSC staff. As disconnect notices, service terminations, and subsequent reconnections resume, the Company anticipates a significant influx of service orders for field personnel, which will likely require overtime, supplemental staff, and/or contract operators to be utilized. The Company currently utilizes a past-due balance threshold for customers subject to disconnection, which avoids the incurrence of incremental expenses for smaller outstanding balances, and is considering increasing the threshold to assist customers and limit a spike in disconnect orders.

13. The Company intends to communicate to customers, in advance, its timeline for returning to standard collections processes, allowing customers the opportunity to request payment arrangements of up to twelve (12) months, consistent with Order No. 2020-344 issued in this Docket. All customers with past-due balances who receive notices from the Company regarding

the potential for disconnection will be notified of the opportunity to establish a payment arrangement under these terms.

VII. Cash Flow and Financial Considerations

14. The Company has identified various financial impacts of the COVID-19 pandemic. The suspension of disconnects and late fees has removed significant miscellaneous revenues, as well as increased average uncollectible account balances, beginning in March 2020. Increases in legal, communications, and regulatory costs have also occurred for one-time as well as recurring events and are likely to continue for the foreseeable future. Additionally, the Company has incurred additional costs required to maintain employee safety and reliable provision of service, such as PPE, sanitizer, and disinfectant cleaning products and services, and additional support staff to augment field operations. While it is possible certain cost savings can be quantified, the Company anticipates the net financial impact to be adverse.

15. The measures identified above, if implemented over an extended period, would create financial stress for the Company. Blue Granite is monitoring its cash flow for stability and reviewing options to maintain adequate funding for its operations. However, the Company anticipates a material adverse financial impact due to COVID-19, and therefore recommends that the Commission authorize establishment of a Regulatory Asset capturing the financial impacts of utilities' COVID-19 pandemic response. Such accounting treatment has been authorized for utilities in other jurisdictions.¹

¹ See, e.g., Virginia State Corp. Comm'n, Order, Case No. PUR-2020-00074 (Apr. 29, 2020) ("All natural gas, electric, water and sewer utilities subject to regulation by the Commission may record deferral of the above-referenced expenses on their books . . ."); Pennsylvania Pub. Util. Comm'n, Docket No. M-2020-3019775 (May 13, 2020) ("[T]he Commission authorizes electric, natural gas, water, wastewater, steam and all rate base/rate of return telecommunications utilities to create a regulatory asset for any incremental uncollectible expenses incurred above those embedded in rates since the issuance of the Emergency Order."); Maryland Pub. Serv. Comm'n, Order No. 89542, Docket No. 9639 (Apr. 9, 2020) ("[T]he Commission authorizes each Utility to create a regulatory asset to record the incremental costs related to COVID-19 prudently incurred . . ."); Nevada Pub. Util. Comm'n, Docket No. 20-03021 (Mar. 27, 2020) ("[A]ll rate-regulated public utilities subject to the Commission's jurisdiction shall establish

Blue Granite appreciates this opportunity to provide comments on these important matters and looks forward to participating in the virtual forum to be held on May 27, 2020.

Respectfully submitted,

s/Samuel J. Wellborn

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regulatory asset accounts"); Texas Pub. Util. Comm'n, Project No. 50664 (Mar. 26, 2020) ("The Commission authorizes each electric, water, and sewer utility to record as a regulatory asset expenses resulting from the effects of COVID-19, including but not limited to non-payment of qualified customer bills"); Alaska Senate Bill 241.